



SANTA ANA DISTRICT NEWSLETTER

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Southern California Lenders Welcome John Miller and Patrick Kelley at Lender Roundtable on August 23

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Lenders from all over Southern California gathered at the Fullerton Marriott on the morning of August 23rd to hear presentations from key SBA officials John Miller, Director for the Office of Financial Program Operations, and Patrick Kelley, Senior Advisor to the Associate Administrator of the Office of Capital Access. The event was hosted by the Institute for Women Entrepreneurs, a resource partner of the Small Business Administration and drew roughly 100 attendees, filling the venue to capacity.

John Miller's presentation focused on current features, coming attractions and helpful hints from the perspective of SBA's consolidated loan operations centers. Two of the current features he highlighted are the "Send This File" feature on the Citrus Heights, Herndon, Little Rock, and Fresno Center websites which allow lenders to send large files and the ability for lenders to view their portfolio listing, status, and process servicing actions on E-TRAN. John's presentation also discussed the lender's obligation to report the status of purchased loans and to submit wrap up reports when reasonable collection efforts were completed. After the lender completes their collection efforts, SBA refers remaining guarantors to the Department of Treasury for offset, garnishment, and further collection efforts.

One of the new developments John mentioned is an upcoming requirement that all PLP & Express lenders must submit all loan packages electronically using SBA's E-TRAN system instead of by fax machine, starting October 1st. This change is expected to create further efficiencies in SBA's loan operations which otherwise would have to key data manually into the E-TRAN system upon receipt of a faxed loan package. Assistance and training for lenders during this transition is available from SBA's District Office Lender Relations Specialists and also from the Centers themselves.

Another facet of his presentation disclosed the top reasons for 7(a) and 504 loan packages being screened out. A screen-out occurs when a given loan package is determined to be incomplete or ineligible for SBA's guaranty.

Patrick Kelley, who is a Senior Advisor to Associate Administrator Steve Smits at the Office of Capital Access, gave attendees a peek at some of the policy changes currently underway at SBA. Four areas he addressed included the agency's effort to bolster small loans, revolving lines of credit, the 504 refinance program, and the CAPLine program.

With regards to small loans, Patrick noted that SBA's Community Advantage is off to a good start; that there should be around 50 lenders certified by the end of the year, in line with their target; and that it was never intended to completely replace the loan volume through Community Express but as a means to allow mission-focused lenders to make 7(a) loans. Patrick said that changes regarding loan loss reserves should be forthcoming that would allow more lenders to participate in this pilot program. Patrick also described the agency's results so

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far with Small Loan Advantage, which have been mixed. A recent survey indicated that a majority of lenders do not plan to retool their process to participate in the program. With these survey results in mind, Patrick will be working to improve the program to make it more feasible for other lenders to participate.

On the subject of lines of credit, Patrick noted that while banks may not get a high return on lines of credit, they can be a valuable offering in order to attract deposits and are certainly needed by small business borrowers, many of whom have seen other means of accessing capital such as credit cards and home equity lines become unavailable. He noted that lenders currently enjoy a 50% guarantee on SBAExpress loans of up to \$350,000, temporarily increased to \$1,000,000 until September 27th per the Jobs Act, but that he's looking at revitalizing the CAPLine program to ensure lenders have the ability to receive an SBA guaranty on revolving lines of credit larger than \$350,000. Patrick was thankful for the constructive feedback provided by local SBA lenders who have helped to shape the draft policy with a market-based approach. Some of these revisions such as simplifying and streamlining the program would be welcome news for small business contractors, who have been unable to leverage the program in its current state as requirements dictate that contracts be assigned to the lender. The CAPLine program, which encompasses five sub-programs, features an 85% guaranty on amounts less than \$150,000 and 75% on amounts greater, subject to SBA's loan limit of \$5 million.

Patrick's remarks regarding the 504 refinance program, ushered in by the Small Business Jobs Act of 2010, were welcome news to the audience, which included many 504 lenders. Patrick was apologetic that in its first year, the program has not seen the amount of loan packages originally anticipated, and that guidelines have been adjusted, such as removing the requirement that a property be appraised prior to approval of the 504 refinance, and relaxing the loan maturity date. Patrick indicated that he'd like to see the program extended another year to help commercial mortgage holders facing balloon payments to refinance on reasonable terms but that it may require Congressional action to do so.

Though a date has not been released for the next district office Lender Roundtable, the Santa Ana District Office plans to hold two similar roundtables in the coming fiscal year. Details will be made public as soon as they're available. For those lenders who were interested in attending but were unable, John Miller's request is available upon request by contacting Stephen Leung at (714) 560-7450 or emailing stephen.leung@sba.gov.

Lender Roundtable Pictures



L to R: SBA Officials Adalberto Quijada, Rachel Baranick, John Miller and Patrick Kelley



Attendees listen intently to opening remarks given by Kari Irwin, Director of the Institute for Women Entrepreneurs

SBA Lending Update

As of 8/26/2011, 1,334 small business loans for a total of \$819,236,300 were approved to borrowers in the Santa Ana District, making for a record year in SBA-backed lending to small businesses. Nationwide, total approvals in 7(a) and 504 will likely surpass \$23 billion, and for the first time ever, we may reach the authorized loan limit for the 7(a) program. At the current approval rate, 7(a) capacity is likely to make it until the end of September, absent a volume surge. There are no capacity issues for the 504 program.

SBA is closely monitoring cancellations so that we can manage the program to minimize any disruptions that might occur as a result of reaching the 7(a) authorization cap before the end of the fiscal year. The authorization loan limit for 7(a) is \$17.5 billion. Through Monday, 8/26, volume after cancellations is just over \$15.9 billion.

A notice on details of the queue plan will be issued by Capital Access.

A complete lender rankings list, updated monthly, can be obtained from our [district website](#).

Cutting Edge Concrete Services, 8(a) Participant, to be Recognized at ABAOC Event

Cutting Edge Concrete Services, Inc., a general contractor specializing in all aspects of concrete demolition, sawing, removal, and earthwork will be recognized for receiving the MEDWeek Minority Small Business Person of the Year Award by the U.S. Small Business Administration at the upcoming Asian Business Association of Orange County's (ABAOC) PROCON event on Thursday, September 22, 2011. PROCON is the ABAOC's hallmark business development event, featuring a variety of business matchmaking opportunities, seminars, and exhibits. The event will be held at the Disneyland Paradise Pier Hotel from 7:30 AM to 4:00 PM. District Director Adalberto Quijada and Deputy District Director Rachel Baranick will be presenting the award.

Each year, the Santa Ana District Office selects one firm from its portfolio of 8(a) Business Development Program

companies to compete against nominations from other SBA district offices to be recognized as the National MEDWeek Small Business Person of the Year. Participants are judged by their overall financial condition, growth in total sales, growth in net profit, growth in full-time employees, nominee's participation in community projects, and other categories. MEDWeek is the nation's premier event for minority entrepreneurs and business owners and is hosted by the Minority Business Development Agency, a subagency of the U.S. Department of Commerce.

Cutting Edge Concrete Services, Inc. was nominated for the award due to the success they've earned while participating in the 8(a) Business Development Program. Since entering the program in 2005, the firm has seen its sales nearly quadruple and has grown from 12 to 36 employees. The firm will now compete against winners from 67 other SBA district offices for the honor of becoming the National award winner.

For questions about ABAOC's ProCon event, please contact Lily Otieno at (714) 670-8941 or Arnice Lamb at (714) 781-1299. You may also refer to ABAOC's website at <http://www.abaoc.org/>.

For questions about the SBA's 8(a) Business Development Program, please contact Karen Burgess, Lead Business Development Specialist, at (714) 560-7451. Karen will also be participating in a panel discussion at the event on the topic of government contracting.

Spotlight on SBA 100: Overnite Express

Nineteen years ago, Rob Ukropina started Overnite Express. After finding no alternatives to the inflexible schedules of large overnight companies, unreliable messenger services and expensive next flight out options, he started a company that directly suited the needs of successful businesses.

Two years after founding Overnite Express, Ukropina used an SBA-guaranteed loan of \$100,000 for working capital. By 2003, demand for their delivery services resulted in expansion into Nevada. Ukropina was approved for an SBA 504 loan to purchase a 62,000 square foot building in Irvine. Subsequently, their service territory expanded into Arizona and later Mexico, processing one million packages per year for approximately 5000 customers.

In its first year of operation, Overnite Express had 2 employees and revenues of \$11,073. By 2008, when the company was purchased by Norco Delivery Services, annual revenues exceeded \$20 million and the company employed over 300 people.

Click the image below to read other stories of companies that have grown to more than 100 employees with assistance from the SBA.



Previous owner Rob Ukropina deposits a package at an Overnite Express kiosk.